

Mexico

Mexico is the United States' largest market for textiles and apparel. Due to the size of Mexico's textile and apparel sector coupled with its proximity to the United States and the flexibilities afforded to U.S. exporters through NAFTA, ITA expects continued investment in all four technical textile sectors and continued growth into the future. Mexico remains an important export market for U.S. technical textile products, accounting for 36 percent of total U.S. technical textile exports in 2014.

Non-wovens	1	Spec. & Ind.	1	Overall Rank	1
Medical	1	Protective	2		

Mexico's textile and apparel industry accounts for 6 percent of the country's gross domestic product and nearly 20 percent of all manufacturing employment in Mexico, employing almost 415,000 workers in 2013. Mexico's industry is based on competitive labor costs and geographic proximity to the United States. The pattern has been for U.S. companies to supply textiles and fibers to Mexico's in-bond processing factories (known as maquilas or maquiladoras) that receive favorable fiscal and trade treatment. The maquiladoras then re-export these inputs after processing in the form of finished garments.

After losing a portion of its U.S. market share to developing countries, Mexico has been clawing back some of its competitiveness in the United States through expanding its reach in other textile markets.

Textile firms in Mexico realized they needed to increase their competitiveness by investing in expanding production centers and manufacturing high-quality textile products, in order to compete in international markets.⁵²

Mexico is forecast to become the largest economy in Central and South America within ten years. U.S. exports of textiles and apparel to Mexico accounted for approximately 26 percent of total U.S. textile and apparel exports in 2014. Textile and apparel exports to Mexico increased from \$5.8 billion in 2013 to \$6.2 billion in 2014 (an increase of 8 percent).

Overview of the Technical Textile Market

Mexico is the largest market for U.S. technical textiles, and plays a special role in trade with the United States textile market. Mexico, therefore, is an ideal starting point for new exporters. Exporters should be aware of the well-established U.S.-Mexico trading relationship and draw particular attention to the relatively low market access barriers to foster and expand current and future trade with Mexico.

The Mexican textile industry, however, has faced growing competition from countries like China, a situation that was compounded when the latter joined the World Trade Organization (WTO). This competition has forced the Mexican textile industry to take stock of the textile sector and make adjustments to its production activities.

To accomplish this, the Mexican textile industry has decided to articulate its different value chains, promote competitiveness through innovation, design and technology, and position Mexico as a textile leader internationally.⁵³

The Mexican Government has acknowledged the need to promote these technical industries, which have the ability of taking on other international manufacturers in terms of price and quality.

If Mexico's textile industries can continue to adapt quickly to the needs of the domestic and international markets, and turn competition from abroad into an opportunity for innovation, they are poised to maintain their standing as the top destination for U.S. technical textiles.

U.S. Free Trade Agreement (FTA) partners, particularly Mexico, remain important to exporters. The trade agreement between the United States and Mexico is critical to improving U.S. competitiveness in these markets.

Challenges and Barriers to Technical Textile Exports

Despite the country's close integration with the United States and Canada through NAFTA, the textile and apparel sector in Mexico has been facing an increasingly strong competitive challenge from China and other Asian producers. Mexico needs to take notice of this and to address this competition and increase its competitiveness in textiles to maintain its standing as the top destination for U.S. exports of technical textiles.

Another challenge facing U.S. exporters is Mexico's tax authority, the Servicio de Administración Tributaria (SAT). SAT has been conducting extensive NAFTA verification of origin audits for textile and apparel imports since 2007. Companies selected for audits must respond with all requested documentation within a very short period of time or risk being assessed penalties for non-compliance. SAT recently implemented new streamlined procedures and posted information to its external website. Cases that are not yet in the Mexican tax courts may be reconsidered under the new procedures. ITA is paying close attention to this issue to make sure U.S. exporters are aware of these procedures.

Additionally, In December 2014, the Mexican Government introduced six new trade policy measures that the U.S. industry believes are devised to bolster Mexico's textile and apparel industry. These include four customs enforcement measures that are intended to increase government scrutiny of imports of textile and apparel products, especially those that are viewed to be undervalued by the Mexican Government.⁵⁴ Another measure establishes a minimum reference price for textile and apparel products. Shipments entered below that price would be subject to an investigation and potential penalties.⁵⁵ Lastly, textile and apparel importers will be required to be listed on a sector specific registry and companies not listed on the registry will not be permitted to import these products. It is important to note that these new measures do not apply to goods entering Mexico under a valid NAFTA certificate of origin.

Opportunities for U.S. Companies

Mexico offers a highly accessible market for U.S. exporters and is a significant textile market for the United States. The technical textile industries in Mexico are experiencing remarkable growth brought about by increasing domestic demand and the shifting of production back to the region.⁵⁶ This increase in demand has resulted in the need for greater investments in the technical textile market and is a great opportunity for U.S. exporters to increase their presence in Mexico.

This has encouraged manufacturers in Mexico to use U.S.-made yarns and fabrics in the production of all forms of technical textiles. Furthermore, U.S. exports are far exceeding Mexican imports, reflecting the Mexican industry's heavy reliance on imported raw materials, particularly from the United States.

As demand for technical textiles continues to grow, meeting that demand will depend on the Mexican textile industry's commitment to operating in these industries, which, so far, by examining the trade data it has proven flexible enough to adapt to this change. Mexico now needs to go one step further and tap into other areas of specialization.

Non-wovens

Mexico is one of a select group of countries that has been identified as an emerging market for nonwoven textiles. In the Western Hemisphere it is the top market for this sector.

Mexico is the number one market for U.S. nonwoven exports and has been the top export market for U.S. nonwovens since 2009. Since 2009 exports of U.S. produced nonwovens have grown 14.4 percent annually.

Specialty and Industrial Fabrics

There is a great deal of interest in Mexico and Central America for the types of specialty fabrics and related products produced in the United States. Since 2008 Mexico has been the top export market for U.S. specialty and industrial fabrics. Specialty and industrial fabric exports were \$1.5 billion in 2012, an increase of 20.7 percent from the 2011 level, and accounted for nearly 30 percent of total U.S. textile and apparel exports to Mexico. U.S. exporters will find the competitive advantages of doing business with an FTA partner country extremely rewarding.

For 2014, U.S. specialty and industrial fabric exports to Mexico accounted for approximately 48 percent of total specialty and industrial textile exports, representing a 13.4 percent increase over the previous year.

Medical Textiles

Mexico is the largest market for medical textiles exported from the United States. For 2014, Mexico market share was 29 percent. Additionally, trade in this sector with Mexico is projected to increase 36 percent from 2013 to 2016.

Protective Apparel

Mexico has been producing and developing protective textile products for many years. The United States has noticed these products, which are appealing from both a technical and a commercial perspective, and because they meet all the required U.S. standards. For U.S. manufacturers it's more complicated to go to Asia, whereas Mexico offers a value chain that is closer and more controlled, which is something that greatly interests final users in the United States. This could be another export opportunity for U.S. protective textile producers. Through developing relationships with Mexican counterparts, the United States could increase its exports of protective textile products.



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